



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 12/15/2005

GAIN Report Number: E35235

EU-25

Agricultural Situation

Commission Biofuels Action Plan could open new opportunities for US soyoil.

2005

Approved by:

Norval E. Francis, Jr.
U.S. Mission to the EU

Prepared by:

Karin Bendz

Report Highlights:

The European Commission has adopted a detailed action plan designed to increase the use of energy from forestry, agriculture and waste. The plan announces more than 20 actions, most of them to be implemented from 2006 onwards.

Agricultural crops used for biofuels feature strongly in the report and will be a major priority for the Commission next year with a biofuels communication to be adopted in the spring, and a review of the biofuels directive later in 2006. An eventual change of the biofuels standard might open up the market for US soyoil. Another proposed change is to introduce a promotion of biofuels obligations in the Member States.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2]
[E3]

The European Commission has adopted a detailed action plan designed to increase the use of energy from forestry, agriculture and waste. The plan announces more than 20 actions, most of them to be implemented from 2006 onwards. The Commissioner for Energy, Andris Piebalgs, said this plan would reduce Europe's dependence on imported energy, cut greenhouse gas emissions, protect jobs in rural areas and extend the EU's technological leadership in these sectors. The plan includes measures for heating, electricity and transport.

Agricultural crops used for biofuels feature strongly in the report and will be major priority for the Commission next year, with a Biofuels Communication to be adopted in the spring, and a review of the Biofuels Directive later in 2006. This report will address issues such as:

- National targets for the market share of biofuels,
- Using biofuels obligations,
- Requiring that, through a system of certificates, only biofuels whose cultivation complies with minimum sustainability standards will count towards the targets.

The Commission sees Biofuels obligations as a potential way of overcoming difficulties with tax exemptions and ensuring that targets are achieved cost-effectively. Biofuels obligations would also make it easier to give favorable treatment to the second-generation biofuels (making liquid fuels out of wood and waste materials), which the Commission encourages. At present there is an increasing interest among MS in the use of biofuel obligations, requiring fuels supply companies to incorporate a given percentage of biofuels in the fuel they place on the market, or face a penalty. Obligations are already in force in France, and Austria and will come into force in Slovenia in 2006, and in the Czech Republic and the Netherlands in 2007. The UK and Germany have recently said that they will introduce them.

One of the proposals in the action plan is to amend the standards for biodiesel to allow a wider range of vegetable oils. Currently the maximum part of soy oil that is accepted is around 25 percent. With an eventual change of standards a total of about 50 percent would be accepted. Given the surge for oil for biofuels in Europe and the augmented price on rapeseed oil caused also partly by the demand for non-gm rapeseed from the food industry, this could be a potential growing market for US soy oil. The Commission is planning to bring forward a legislative proposal to encourage public procurement of clean vehicles, which could include those using high biofuel blends.

The commission estimates that the measures in this action plan will increase the use of biomass to about 150 Million tons of oil equivalent (Mtoe) by 2010, compared to 69 Mtoe in 2003 without increasing the intensity of agriculture, or significantly affecting domestic food production. This is also expected to reduce CO₂-equivalent emissions by 209 million tons per year. The measures in the Action Plan are also expected to provide direct employment for 250-300,000 people. At present 1.8 m hectares, or 1.85 percent, of EU agricultural land is used for energy crops.

For the end of 2005 the Commission estimates that the use of biofuels will be at the best 1.4 percent. Roughly 90 percent sourced from domestic raw materials, the rest imported. One of the key variables in the EU biofuels policy is the balance between domestic production and imports. Biofuels and their raw materials are traded on world markets. The Commission believes a self-sufficiency approach to meeting the EU's needs is neither possible nor desirable. But there are not yet any official decisions on how far to go to encourage domestic production.

To read the full European Commission Biomass Action Plan go to:

http://europa.eu.int/comm/energy/res/biomass_action_plan/green_electricity_en.htm

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E-mail: AgUSEUBrussels@usda.gov

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